STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 98-537

August 19, 1998

PUBLIC UTILITIES COMMISSION
Inquiry into the Information
Needs of Standard Offer Providers

NOTICE OF INQUIRY

WELCH, Chairman; NUGENT, Commissioner

I. SUMMARY

This Inquiry will examine the scope of information that utilities should provide to potential standard offer electricity service providers and to actual providers on an ongoing basis, and will precisely define how that information should be calculated. This Inquiry forms the beginning of the subsequent proceeding required by Section 6.B.6 of Chapter 301 (Standard Offer Service).

II. BACKGROUND

During its 1997 session, the Legislature fundamentally altered the electric utility industry in Maine by deregulating electric generation services and allowing for retail competition beginning on March 1, 2000. At that time, Maine's electricity consumers will be able to choose a generation provider from a competitive market. As part of the restructuring process, the Act requires utilities to divest their generation assets and prohibits their participation (except through unregulated affiliates) in the generation services market.

In addition, the Act requires that standard offer service will be available to all consumers of electricity. 35-A M.R.S.A. § 3212. This service eliminates the need for consumers to actively select a competitive electricity provider should they not wish to, and it provides a default service for consumers who, for whatever reason, lose service from a competitive electricity provider. On September 30, 1997, the Commission initiated a rulemaking to determine the bidding processes and terms and conditions for standard offer service. A provisional rule, Chapter 301, was adopted on February 11, 1998 and a final rule was adopted on April 22, 1998. Section 6 of the Rule identifies information that must be given to standard offer bidders at the time that a request for standard offer bids is issued. Section

¹An Act to Restructure the State's Electric Industry (the Act), P.L. 1997, ch.316 codified as 35-A M.R.S.A. § 3201-3217.

6.B.6 directs the Commission to conduct a proceeding to determine the scope and detail of the information required by the Rule.

III. DISCUSSION - PROCESS FOR CONDUCTING PROCEEDING

Certain issues in this proceeding involve calculation methods or implementation processes. For example, Section 6.A of Chapter 301 specifies that energy data, demand data, and load shape data be given to standard offer bidders. Because such data is calculated and aggregated somewhat differently at each utility, a method to provide consistency must be determined. Decisions on these issues are unlikely to involve public policy and may not be controversial. We believe that such decisions can be made most effectively by persons who work closely with the Accordingly, the initial stages of this proceeding will be conducted through a statewide working group whose charge will be to precisely define the data that must be given to standard offer bidders under current provisions of the Rule and to determine the methods for calculating that data. The working group should strive to provide consensus recommendations to the Commission for consideration and statewide adoption. Decisions that cannot be made within the working group will be addressed through a more formal process in later stages of the proceeding.

The remaining issues in this proceeding are broader in scope. Their purpose is to identify the full set of information needs of standard offer bidders and providers. The overarching goal governing these needs is to attract bidders who can implement standard offer service that is as low-cost and reliable for consumers as possible. Section 6.A and Sections 6.B.1 and 6.B.2 of Chapter 301 identified likely information that standard offer bidders would require to ensure the lowest-cost bids. However, the rule recognized that further thought must be given to precisely what data would be useful and necessary. addition, information will be needed to ensure accurate and timely treatment of customer migration, adequate supply portfolio management, and accurate settlement with ISO-NE.² These ongoing data needs are likely to be embodied in other rules being considered by the Commission, including Load Obligation and Settlement (Docket No. 98-496), Consumer Protection and Licensing (Docket No. 97-590), and Provisions for Interactions Among Transmission and Distribution Utilities and Competitive Electricity Providers (Docket No. 98-482). However, the current proceeding offers an effective opportunity to consider the unique requirements of standard offer providers in a comprehensive manner, and we will use this proceeding for that purpose.

²We will often refer to ISO-NE operations and omit reference to Northern Maine, with the understanding that the comments refer to a yet-to-be-developed process in Northern Maine.

Accordingly, in this proceeding we will examine the information requirements in Chapter 301 to ensure that all information necessary to attract the lowest possible bid is provided to standard offer bidders, and that all information necessary to provide continuing operation of standard offer service is provided to the providers of that service. We direct the working group to develop recommendations to the greatest extent possible as to these broader information needs, and if necessary we will carry out a more formal process to resolve all remaining issues.

IV. DISCUSSION - PARTICIPATION BY POTENTIAL STANDARD OFFER PROVIDERS

We are concerned that the level of participation by competitive electricity providers in electric restructuring proceedings in Maine has been minimal. In this proceeding, participation by potential standard offer providers is particularly important, because the purpose of the proceeding is to meet their needs. While participants in recent proceedings have possessed a highly developed understanding of the operations and needs of all entities in an open access environment, nonetheless it is clearly preferable to have every party's interests directly represented. We already include competitive electricity providers who are active in Massachusetts proceedings on our distribution lists. In this proceeding, we will expand the distribution list and will aggressively seek participation through telephone and person-to-person solicitation.

We remind competitive electricity providers that Maine is one of the first states to develop the processes necessary for completely opening the retail electric supply market to competition. As such, rules implemented in Maine might substantially influence decisions made in other states, as other states seek to maintain regional consistency and to avoid costly redevelopment of processes already in place elsewhere. Thus, participation in Maine's rule development holds the prospect for providing wider benefits than those realized in our local market.

Finally, we will make it as easy as possible for competitive electricity providers to participate in this Inquiry. First, we will allow providers to submit written comments without participating in the working group, and we will direct the working group to consider those comments carefully and seriously. Second, we will allow competitive electricity providers to attend only the first session of the working group to supplement their written comments, and we will direct the working group to consider remarks made at the first meeting carefully and

seriously. Finally, if necessary, we will rely on consultants, either hired formally by the Commission or participating in the working group, whose experience allows them to represent the views of competitive electricity providers.

V. ISSUES FOR COMMENT - EXAMINATION OF INFORMATION REQUIREMENTS

A. Full Set of Information Requirement.

As stated above, Chapter 301 recognized that further thought must be given to precisely what data would be most useful to standard offer bidders. In the following questions, we invite comment on the completeness, the usefulness, and the necessity of the information described in the Rule. In addition, we invite commenters to inform us of information that is important to successful ongoing standard offer operation. Comments should focus on information needs that are unique to standard offer bidders and providers. Comments should avoid generality and include specific, clear definitions of data needs.

Question 1: What usage data or credit and collection data will be needed by standard offer providers before submitting bids, to ensure that the bids are low-cost but adequately profitable to the providers?

Question 2:

- a. What usage data or credit and collection data will be needed by standard offer providers on an ongoing basis, to ensure accurate and timely accounting of customers' migrating into and out of standard offer service?
- b. What usage data or credit and collection data will be needed by standard offer providers on an ongoing basis, to ensure that they can adjust their supply portfolio to manage their own costs and ensure adequate provision of generation to all enrolled customers?
- c. What usage data or credit and collection data will be needed by standard offer providers on an ongoing basis, to ensure accurate financial settlement with customers and with ISO-NE?
- Question 3: Is there data that should be gathered by transmission and distribution utilities or by standard offer providers on an ongoing basis, that will be necessary or useful for future standard offer bidders?

Question 4: Are there other information needs not addressed above?

B. <u>Simplicity</u>.

When determining information needs of the standard offer providers, completeness must be weighed against simplicity. Complex or voluminous data might be difficult for standard offer bidders to synthesize into useful information. On the other hand, providers capable of delivering standard offer service are likely to possess relatively advanced computer processing capabilities. We want our information requirements to be adequate but not overly burdensome to use.

Question 5:

- a. How much data will standard offer bidders be able to process usefully?
- b. Are there items that require higher levels of accuracy than others? What are they?
- c. How sensitive is usage and load data to aggregating rate classes together (i.e., what level of inaccuracy will result)? To aggregating days together?

VI. ISSUES FOR COMMENT - METHODS REGARDING CUSTOMER USAGE

Questions in this section address specific provisions of Chapter 301. We invite comment on the following questions based on parties' opinions of what should be done, not based on a narrow interpretation of the language of the Rule.

A. Customer Class and Rate Class.

Section 2.A.2 of the Rule specifies that standard offer rate classes will be the so-called core rate classes of each transmission and distribution utility as established in Chapter 309, Bill Unbundling and Illustrative Bills. Chapter 309 did not change rate classes from those in effect today. While this provision would suggest that information should be provided based on core rate classes, the language in Chapter 301 instead specifies that data be provided "by customer class."

Question 6:

- a. Each of Maine's investor-owned and consumer-owned utilities should provide a list of what it considers its core rate classes for the purpose of standard offer billing, and why.
- b. Should usage data be provided based on core rate classes? On all rate classes contained in the utility's tariffs? On some other customer grouping?
- c. How should usage and load data from special targeted rates be treated? Should it be included in the core rate classes where customers would reside absent the special rate? Excluded from information exchange? Given to the standard offer bidders by special rate class? Are customers taking special targeted rates more likely or less likely to take standard offer service? Why?

B. Billing Data.

Sections 6.A.1 and 6.A.2 specify that certain demand and energy data be provided. The purpose of providing this data is to allow standard offer bidders to estimate their revenues from participating customers.

Question 7:

- a. Does each of Maine's investor-owned or consumer-owned utilities have readily available the billing demand, measured demand, energy use, and customer count by month, by time-of-use period if relevant, for each of its core rate classes? If not, how should the data be estimated?
- b. Is there reason to provide billing and measured demands for classes that are not billed demand charges or off-peak demands for classes that are not billed for off-peak demand? What are these reasons?

C. <u>Load Shapes</u>.

1. Section 6.A.3 specifies that representative typical week load shapes be provided. The purpose of providing load shapes is to allow standard offer bidders to estimate their costs in a supply market where prices change hourly.

Question 8: What is the most useful definition of "typical week load shape" for the purposes of this Rule? Comment on the usefulness and availability of a 24-hour load shape for each of 52 weeks (typical day in the week), a 168-hour load shape for each of 52 weeks (each day in the week), a 168-hour load shape for each of the 12 months in a year (a typical week in the month), and a 24-hour weekday load shape and 24-hour weekend load shape for each of the 12 months in a year (a typical weekday and typical weekend day in the month).

2. A load shape is simply a load profile. In Docket No. 97-861, Inquiry into the Energy and Load Profiling and Settlement Functions for Transmission and Distribution Utilities in a Restructured Electricity Industry, many parties supported profiling three customer groups (residential, small commercial/industrial and large commercial/industrial) for the purposes of financial settlement between competitive electricity suppliers and ISO-NE. In addition, many parties recommended individual telemetering for the largest customers. Finally, some customers in the profiled groups will likely be telemetered by competitive electricity providers and will therefore be removed from their profile group. Although that proceeding is not completed, those recommendations may be adopted.

Question 9:

- a. Will standard offer bidders receive adequate information if they are provided load shapes from the three profiling groups rather than from each core customer class? If not, what function will suffer?
- b. What load shapes should be given to standard offer bidders in cases where all customers in a customer group (e.g., all customers above a certain size) are individually telemetered?
- c. How should the loads of customers who have been removed from profile groups be treated? Should they be incorporated back into the profile groups, or should they remain absent for the purposes of reporting load shapes to standard offer providers?
- d. How should the loads of customers on special targeted rates be treated? How do utilities treat those loads now within their load research processes?

3. Section 6.A.1 specifies that class coincident peaks (CP) and non-coincident peaks (NCP) be provided. The purpose of providing these data is to improve standard offer bidders' ability to estimate their costs in the supply market.

Question 10:

- a. Does each of Maine's investor-owned or consumer-owned utilities have the ability, using a reasonable level of effort, to calculate coincident and non-coincident class demands by month, by customer class? If not, how can that data be estimated? Each utility should explain, broadly, the method it might use, including how it will treat load from special targeted rate classes.
- b. Are CPs and NCPs relevant when determining costs in a New England-wide market?
- D. <u>Historic Time Period</u>. We expect to issue a Request for Bids for standard offer service on or around August 1, 1999. At that time, the information specified in the Rule must be provided to bidders.³ Section 6.B.2 specifies that information must reflect usage during the prior calendar year.

Question 11: Will each of Maine's investor-owned or consumer-owned utilities have available the following required data for calendar year 1998, in time to include in the bidding process? If not, what is the most recent 12-month period for which data will be available by August 1, 1999? How could less timely data be used to develop data that conforms to Section 6.B.2 of the Rule?

- a. demand, energy, and customer count
- b. CP and NCP data
- c. typical load shapes
- d. credit and collection data

VII. ISSUES FOR COMMENT - TREATMENT OF AND METHODS REGARDING UNDERCOLLECTED REVENUE

A. <u>Treatment of Undercollections</u>. The allocation of late paid and uncollectible revenue between transmission and distribution utilities and standard offer providers is not

³In addition, a bidders' conference is likely to be held during which potential bidders may obtain clarification of the information.

resolved in Chapter 301. The allocation method will determine the level of revenue risk associated with undercollection that standard offer providers will bear.

One method for allocating this risk is to allocate partial bill payments first to the transmission and distribution utility, with the remaining portion (if any) allocated to standard offer providers. In this case, the standard offer providers bear the full burden of undercollections, will likely need to estimate undercollections in order to accommodate that revenue shortfall in its pricing strategy. A second method for allocating this risk is to allocate partial bill payments between standard offer providers and the transmission and distribution utility using a pre-assigned percentage, thereby sharing the In this case, bidders might need considerably less information about likely levels of undercollections. A third alternative is to quarantee the standard offer provider full payment, thereby transferring all risk to the transmission and distribution utility and its customers. In this case, standard offer bidders might need no information regarding credit and collection activity.

The revenue lost from undercollection can become an increase in the transmission and distribution utility's revenue requirement that is allocated to all customers, or it can become an adjustment applied only to standard offer customers' transmission and distribution bill.

We are likely to decide the treatment of undercollections in a future proceeding that addresses policy issues raised by standard form contracts between transmission and distribution utilities and standard offer providers. Section 5.D.1 of the Rule specifies issues that must be resolved by these contracts. We are mindful that the decision influences the information that bidders require, which is the subject of this proceeding. To allow a cogent discussion of credit and collection information needs in this proceeding, we will ask for comments on the policy question of how best to allocate undercollections.

Question 12:

a. How should partial bill payments be allocated between transmission and distribution utilities and standard offer providers? If undercollected revenue is allocated to transmission and distribution utilities, how should the cost be allocated among customer classes or groups? Should all transmission and distribution utilities and standard offer providers be required to follow the same method?

- b. What are the <u>policy</u> reasons for, the benefits of, and the problems associated with your recommendation? In particular, please consider the consumer protections afforded to standard offer customers and not other providers' customers, and discuss their implications for allocating undercollected revenue.
- c. What are the reasons for, the benefits of, and the problems associated with <u>implementing</u> your recommendation?
- B. <u>Information Needs</u>. Please answer the following questions concerning the information needs of standard offer bidders in a manner that allows the Commission to reach a decision on bidders' information requirements under circumstances when the transmission and distribution utility assumes a high level of risk for undercollections and under circumstances when the standard offer provider assumes that risk.

Question 13:

- a. For uncollectible accounts, do standard offer bidders need only net uncollectibles by class to adequately develop a bid? Net write-offs would show the net amount, adjusted for any previously written-off amounts that are subsequently collected, that is written off as uncollectibles expense during the year. Is there any reason to provide both the gross write-off expense, and amount previously written-off that is collected? Should transmission and distribution utilities be required to identify whether they are using an actual, or accrual, basis for expensing uncollectible accounts?
- b. Should the following data be provided for the end of each month (to show seasonal fluctuation), or for some other interval? Would end of year figures be adequate?
 - i. average age and balance of accounts receivable
 - ii. gross or net write-offs
 - iii. number of disconnections for nonpayment
 - iv. number of payment arrangements

Question 14: In addition to the information suggested in the Rule, do standard offer providers also need any of the following credit and collections information? If so, should the data be provided for the end of each month (to show seasonal fluctuation), or for some other interval? Would end of year figures be adequate? For what classes should the information be provided? Should it be provided in

aggregate amounts for residential and nonresidential categories only or by some other grouping?

- a. Number of customers by class? Would number of customers be more useful than number of accounts, since one customer, especially among commercial customers, often has many accounts?
- b. Average bill by class?
- c. Total billings by class?
- d. Number of accounts with overdue amounts by class?
- e. Average dollar amount of overdue amounts by class? If so, how should this be calculated? Should it be based on all accounts, or only delinquent accounts?
- f. Number of disconnection notices issued, to show how often customers are late with payments?
- g. Number of reconnections (after disconnection for nonpayment) by class?
- h. Number and amount of deposits collected by class? Question 15: How should credit and collections data for large customers, including those on special targeted rates and customers in special rate classes, be treated?
- Question 16: Is the annual credit and collections report that transmission and distribution utilities produce for the Commission, Annual Utility Reporting Requirements for Credit and Collections Programs (for Electric, water and Natural Gas utilities), adequate for standard offer providers? This report includes only summary data for residential and nonresidential customers. The data is unverified by the Commission, and different utilities appear to use different calculation methods for some figures. Would only this information alone be adequate for standard offer providers?
- Question 17: Is one year of credit and collection data adequate? Are more years necessary to determine average credit and collections performances? Would three years be useful to identify trends?
- Question 18: Is any other credit and collections data needed for bidding purposes, for ongoing operations, or for any other purpose?

VIII.INQUIRY PROCESS

Interested persons may participate in this inquiry by filing a letter stating their interest in this proceeding no later than September 1, 1998. The filing letter should state whether the interested person wishes to be a member of the working group, or whether the interested person wishes to be placed on a list for purposes of receiving further correspondence. The letter should be addressed to Dennis L. Keschl, Administrative Director and include the docket number, Docket No. 98-537. The Commission will then issue a service list. All subsequent filings must be served to all interested parties on the service list.

Interested persons may file substantive comments by September 23, 1998.4 We will convene the first meeting of the working group on October 1, 1998, from 9:00 until 12:00 in the Maine Public Utilities Commission. Upon the filing of recommendations by the working group, the Commission will determine the issues, if any, to be considered in a more formal process.

Accordingly, we

ORDER

- That an Inquiry shall be opened as described in the body of this Notice;
- That this Notice shall be sent to all electric utilities in the State of Maine;
- That this Notice shall be sent to the service list of electric restructuring, Docket No. 95-462;
- That this Notice shall be sent to certain parties who have shown an interest in competitive electricity supply issues in Massachusetts, California, and other national arenas;
- That this Notice shall be sent to the service list of Docket No. 97-739, Rulemaking: Bidding Processes and Terms and Conditions for Standard Offer Electric Service (Chapter 301); and
- That this Notice of Inquiry will also be posted on the Commission's website, http://www/state.me.us/mpuc.

⁴The Commission will consider extending confidentiality to comments upon showing that the comments will result in competitive damage to the commenter.

Dated at Augusta, Maine this 19th day of August 1998.

BY ORDER OF THE COMMISSION

Dennis L. Keschl Administrative Director

COMMISSIONERS VOTING FOR:

Welch Nugent